

*Yukon Liquor Corporation*



*Annual Report*

April 1, 2010 - March 31, 2011



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Photos by Government of Yukon

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*Letter of Transmittal*

*Letter of Transmittal*



The Honourable Scott Kent  
Minister Responsible for the Yukon Liquor Corporation  
Government of Yukon

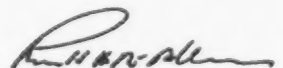
November 18, 2011



Dear Minister Kent,

I have the honour to present you with the Annual Report of the Yukon Liquor Corporation for the fiscal year ended March 31, 2011.

Respectfully submitted,

A handwritten signature in dark ink, appearing to read 'Ron MacMillan'.

Ron MacMillan  
President  
Yukon Liquor Corporation

## *Corporate Plan*

### **Our Mandate**

Yukon Liquor Corporation is responsible for the purchase, distribution, and sale of liquor products in the Yukon.

### **Our Vision**

Liquor products are enjoyed in a safe, legal, and socially responsible manner.

### **Our Purpose**

- ⇒ To purchase a range of liquor products and make them available to consumers, and to regulate the sale and consumption of liquor products.

### **Our Values**

- ⇒ We actively engage staff and customers, supporting and encouraging actions that are fair, responsible, respectful, and consistent.
- ⇒ We involve and inform customers and staff in the issues and decisions of the Corporation, using a participative management style.
- ⇒ We provide excellent service to customers.
- ⇒ We strive to be an environmentally-conscious organization that limits its carbon footprint.

### **Our Strategic Goals**

- ⇒ We ensure availability and variety of products to meet customer demand.
- ⇒ We regulate the sale and consumption of liquor products, and promote and enforce their legal and socially responsible sale and service.
- ⇒ We optimize the net proceeds to government realized from the sale and control of liquor.
- ⇒ We provide timely and efficient access to specific government services on behalf of other government departments in rural communities with a liquor store.
- ⇒ We support the return and recycling of beverage containers, where necessary.

## *Overview*

### **General**

Yukon Liquor Corporation operates a central warehouse and distribution centre in Whitehorse, and six Yukon Liquor Stores. The five rural liquor stores also provide specific Territorial Agent services on behalf of other government departments.

The Corporation transfers all its net income to the Government of Yukon. It is responsible for the *Liquor Act* and *Liquor Regulations*. In addition, the Corporation collects and remits a 12% tax on the retail value of all liquor products sold in the Yukon, as required by the *Liquor Tax Act*. In 10/11, these transfers to the Government of Yukon totaled \$12.5 million.

### **Yukon Liquor Board**

The Board is responsible for licensing decisions, and for hearing appeals of license suspensions, barrings, and permit refusals. Administration of the Corporation is the responsibility of the President, directed by the Minister.

Currently, the Board has five members, appointed by Cabinet. The Board meets monthly, with additional meetings scheduled as required. Support to the Board is provided by the Licensing & Social Responsibility and Program Support branches.

### **Corporation**

The Corporation has four branches: Purchasing & Distribution; Retail Sales & Territorial Agent Services; Licensing & Social Responsibility; and Facilities, Records & Program Support. In 10/11, Yukon Liquor Corporation also accessed shared services from the Yukon Housing Corporation in the areas of Human Resources, Finance & Systems, and Policy & Communications.





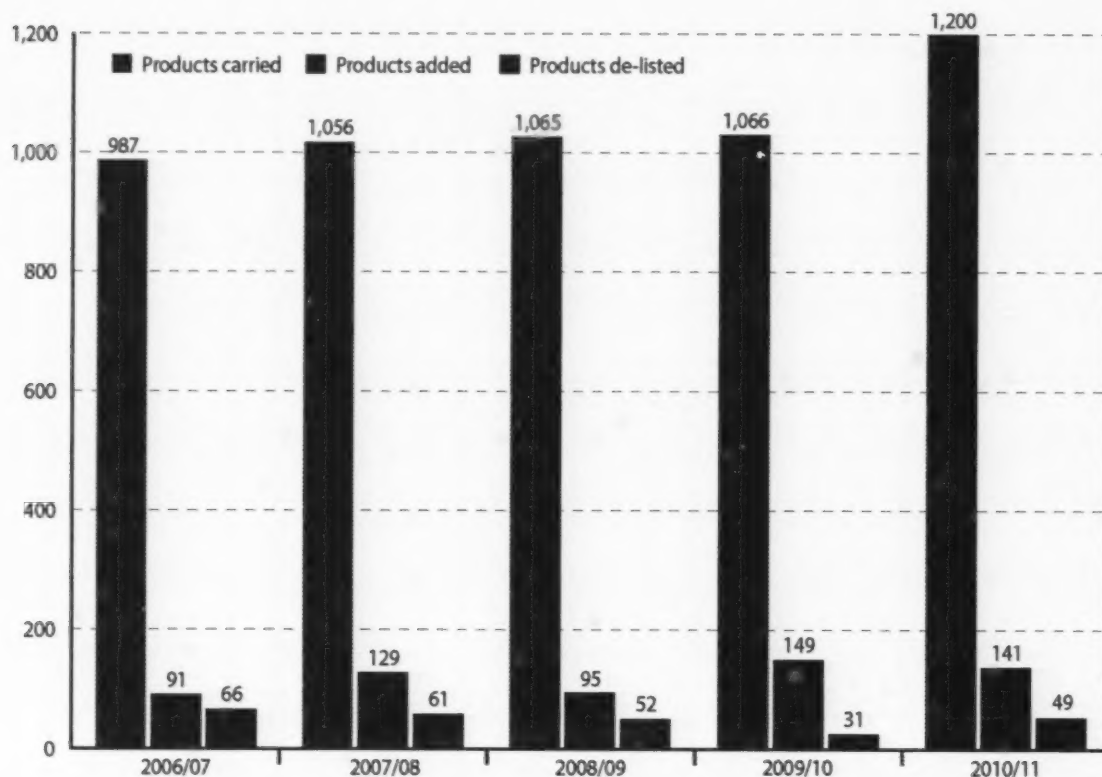
## Purchasing & Distribution Branch

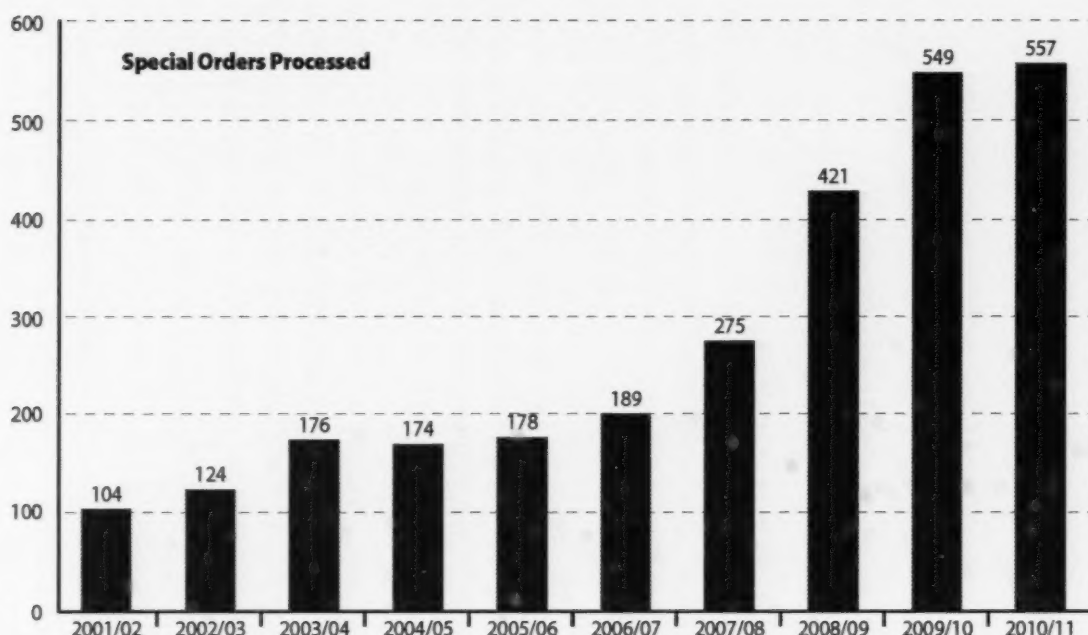
This Branch is responsible for the purchasing, inventory management, and distribution of liquor products.

Purchasing & Distribution Branch gathers input from a range of sources, including licensees and other customers, industry, and other jurisdictions, in determining which products to offer for sale in the Yukon, and at what price.

Domestic products are ordered from various locations in Canada. Locally-produced vodka is purchased from Klondike River Distillery and from Yukon Brewing Company, who also produce beer. Canadian-made wines and spirits are purchased directly from suppliers in British Columbia, Alberta, Ontario and Quebec. All imported wine, spirits and beer are purchased from the B.C. Liquor Distribution Branch. This allows the Yukon Liquor Corporation to buy a range of products for our customers, in smaller quantities than might otherwise be possible. The arrangement also allows the Corporation to use the quality control and product expertise of the B.C. Liquor Distribution for a modest administrative fee, reducing the Corporation's overhead.

Orders for all non-Yukon products are consolidated in Vancouver and shipped to the central liquor warehouse in Whitehorse. Staff then distributes orders to licensees and to the six Yukon Liquor Stores. Whitehorse licensees purchase their products directly from the central warehouse, and the Whitehorse store serves primarily individuals. The rural stores serve both the general public and licensees.





Purchasing & Distribution staff work closely with suppliers to develop and implement progressive marketing strategies and merchandising programs for shelf management, merchandise display, and in-store tasting programs, in close co-operation with the Retail Sales & Territorial Agent Services branch.

The annual Rotary Wine Festival once again provided the Yukon Liquor Corporation and wine agents with an opportunity to showcase products and get customer feedback on local taste. As a direct result of the festival, the Yukon Liquor Corporation listed 50 new wines.

The completed warehouse improvements allow the Corporation to continue to expand its product selection in all categories, as requested by customers. The Corporation, working with suppliers, was able to make 81 one-time buys in 10/11, providing customers with an opportunity to try a range of special products.

### How do I place a special order?

Contact your local Yukon Liquor Store or Purchasing & Distribution at 867-667-8928 (toll-free 1-800-661-0408 ext. 8928). The minimum order is one case.

Staff will research the cost, including shipping, and provide an estimated price and expected delivery date to you. YLC needs a 50% deposit of the total estimated cost before placing the order. You can pay with cash or credit/debit card (or other pre-authorized payment arrangements, in the case of licensees).

Special orders take between four and 12 weeks to arrive, based on where they are coming from. Staff will contact you by telephone when your special order arrives and you can arrange for pick-up and final payment then.



## Overview



Whitehorse



Watson Lake



Faro



Haines Junction



Dawson City



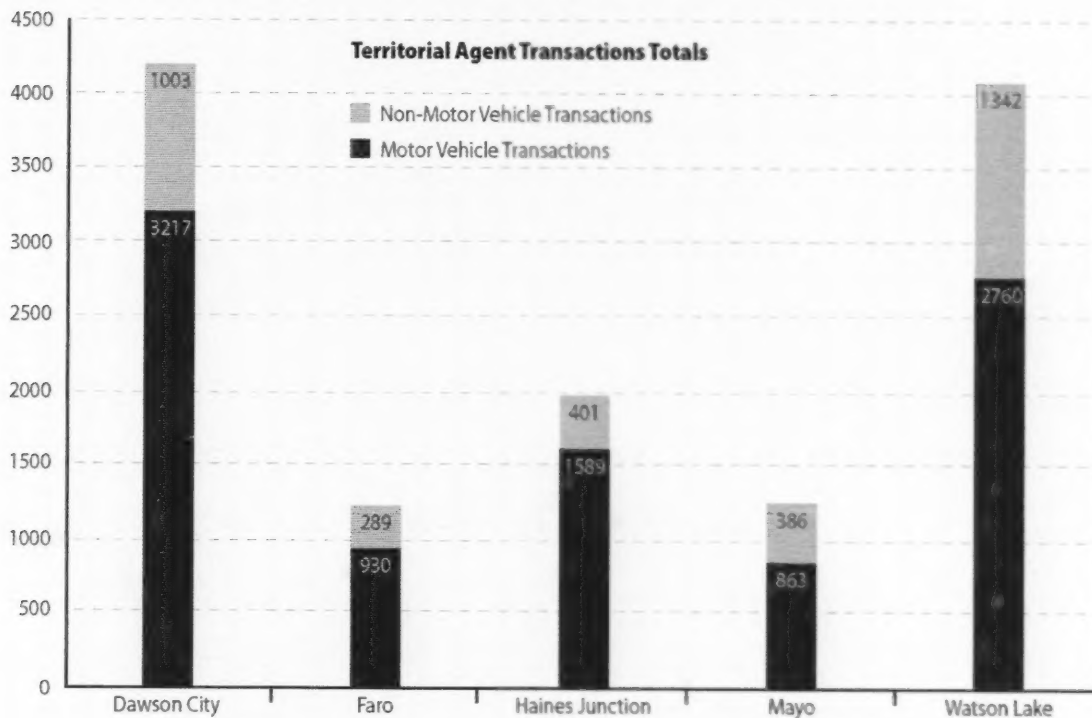
Mayo

### Retail Sales & Territorial Agent Services Branch

The Retail Sales & Territorial Agent Services Branch manages the Yukon government liquor stores, and delivers Territorial Agent services in rural communities with liquor stores. The Branch operates six retail liquor stores: Dawson City, Faro, Haines Junction, Mayo, Watson Lake, and Whitehorse. The stores offer a wide assortment of wine, spirits, beer, and coolers.

The retail liquor stores in the rural communities sell products to licensees as well as to individual customers. They also issue special occasion and reception permits, and are open Tuesday to Saturday. The Whitehorse liquor store sells primarily to individual customers, although it will accommodate licensees when necessary, and is open Monday to Saturday.

Rural store Territorial Agents provide specific services on behalf of other Government of Yukon departments, such as issue and renewal of driver licences, fishing licences, motor vehicle registrations, and business licences. They also receive payments on behalf of the government, such as property taxes and court fines.



## Licensing & Social Responsibility Branch

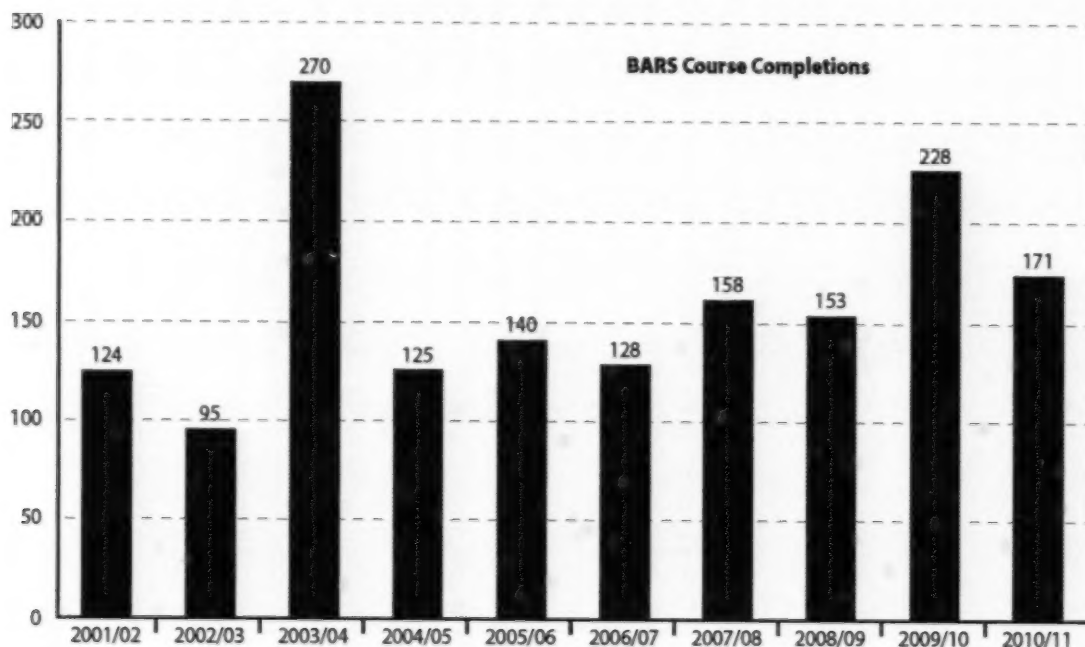
Working with licensees, permit-holders, liquor consumers, and staff, the branch promotes compliance with the *Liquor Act and Regulations* through training, education, inspection, discussion, and enforcement. It partners with other organizations to develop and deliver a variety of campaigns in support of responsible consumption.

The Licensing & Social Responsibility Branch is responsible for liquor licensing and inspection throughout the Yukon. Staff works with applicants for liquor licences and permits to assist them to meet the requirements of the legislation. New licence applications are considered by the Board, and permits and licence renewals are considered by the President.

The branch uses a combination of training, education, dialogue, inspection, and enforcement to ensure that the provisions of the *Liquor Act, Regulations*, and related policies are being met.

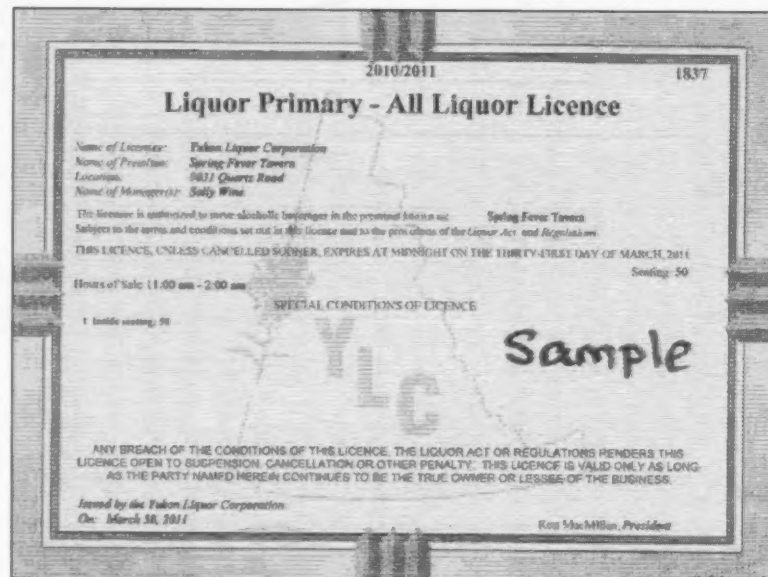


Licensees and their staff are encouraged to participate in various training and information sessions offered by the Branch. For example, the Branch delivers the "Be a Responsible Server" (BARS) course. This is a three-hour server-training program, made available free to participants. Its purpose is to make servers and licensees aware of their legal responsibilities as liquor providers, and to encourage both responsible service and voluntary compliance. It is also available in a self-study format.



The branch staff works to establish and foster constructive working relationships with licensees, permit-holders, and their staff. As part of a systematic approach to check that licensees and permit-holders are adhering to the *Liquor Act, Regulations*, and related policies, Licensing Officers maintain a balanced schedule of walk-through and full-premise inspections of licensed establishments and special events to check that licensees and permit-holders are adhering to the *Liquor Act, Regulations*, and related policies. These inspections focus on aspects of both operations and facilities.

This branch is also responsible for developing and implementing social responsibility initiatives, in co-operation with other government departments and community stakeholders. Social Responsibility resources are levered through partnerships with other organizations to maximize impact, and a variety of tools are used to reach the identified target audiences. Our broad-based social responsibility program partners with various inter-agency and community groups and other territorial government departments in delivering public education programs and encouraging responsible drinking practices.



## Licensees and permit-holders are responsible for:

- ⇒ Adhering to the *Liquor Act, Regulations*, and related policies
- ⇒ Training and monitoring staff
- ⇒ Operating their establishment/event in accordance with the *Liquor Act, Regulations*, and related policies

## Yukon Liquor Corporation — Licensing & Social Responsibility is responsible for:

- ⇒ Providing training, education, and access to related information to licensees and permit-holders
- ⇒ Establishing and fostering constructive working relationships with licensees, permit-holders, and their staff
- ⇒ Developing and implementing a system to check that licensees and permit-holders are adhering to the *Liquor Act, Regulations*, and related policies
- ⇒ Using a combination of training, education, dialogue, inspection, and enforcement to ensure that the provisions of the *Liquor Act, Regulations*, and related policies are being met

## Overview

Yukon Liquor Corporation continued to support alcohol-free graduation events, by providing donations to all Grade 12 classes throughout the Yukon.

In 2010/11 the Corporation partnered with Whitehorse General Hospital and other agencies to re-start the Prevent Alcohol Related Trauma in Youth (PARTY) Program.



This interactive injury prevention and health promotion program targets Yukon youth in grades 9 and 10, in Whitehorse and in the rural communities. Students attend a day-long program at the Whitehorse General Hospital where they observe the path of trauma patient through the health care system from pre-hospital care to rehabilitation and sometimes death. When travel to Whitehorse is not possible, the PARTY Presentation team networks with local agencies (nursing station/RCMP/etc.) and travels to communities, delivering a modified program.

Think  
Before  
YOU  
Drink

### December 2010

S	M	T	W	T	F	S
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30	31	

Drive safe Drive Sober  
Soyez Prudent Restez Sobre

DO  
Not  
Drink  
AND  
Drive

### February 2011

S	M	T	W	T	F	S
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28				

Soyez Prudent Restez Sobre



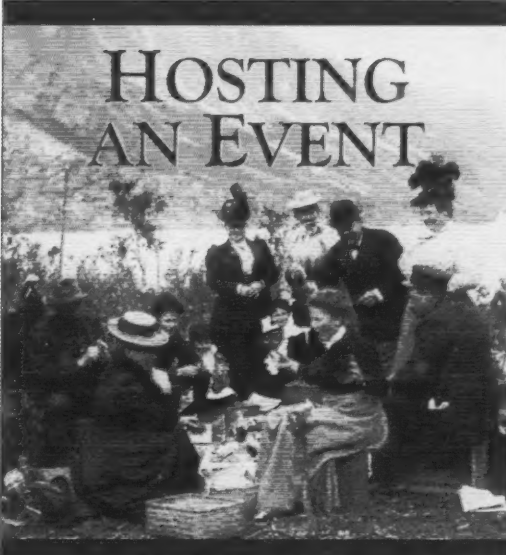
### What is a Special Occasion Permit?

A Special Occasion permit allows a non-profit organization to sell liquor at a special event, such as a fund-raiser or festival.

### What is a Reception Permit?

A Reception Permit allows an individual, organization, or corporation to serve (**not sell**) liquor at a special event held in a public place. Examples are wedding receptions, retirement parties, or art gallery show openings.

For more information, see our "Hosting an Event" pamphlet, available at Liquor Stores, Head Office, and at [www.ylc.yk.ca](http://www.ylc.yk.ca).



**HOSTING AN EVENT**




Photo: at Lake Denhart, circa 1940 — Yukon Archives, H.C. Barker fonds #4790

**PERMITS & SERVING LIQUOR RESPONSIBLY**

There are two kinds of permits — a Reception Permit and a Special Occasion Permit. Make sure you get the right one.

Remember — if your name is on the permit, you are responsible for your event.

Questions? Please contact us — our contact information is on the back of this pamphlet.

**L'ART DE BIEN RECEVOIR**


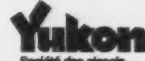
Photo: au lac Denhart — Archives du Yukon, fonds H.C. Barker n° 4790

**OBTENIR UN PERMIS ET SERVIR DE L'ALCOOL DE MANIÈRE RESPONSABLE**

Il existe deux sortes de permis : le permis de réception et le permis de circonstance. Assurez-vous de vous procurer le permis approprié.

Rappelez-vous, si votre nom est inscrit sur le permis, c'est vous qui êtes responsable.

Vous avez des questions? N'hésitez pas à communiquer avec nous. Nos coordonnées se trouvent au verso de cette brochure.



## Facilities, Records & Program Support Branch

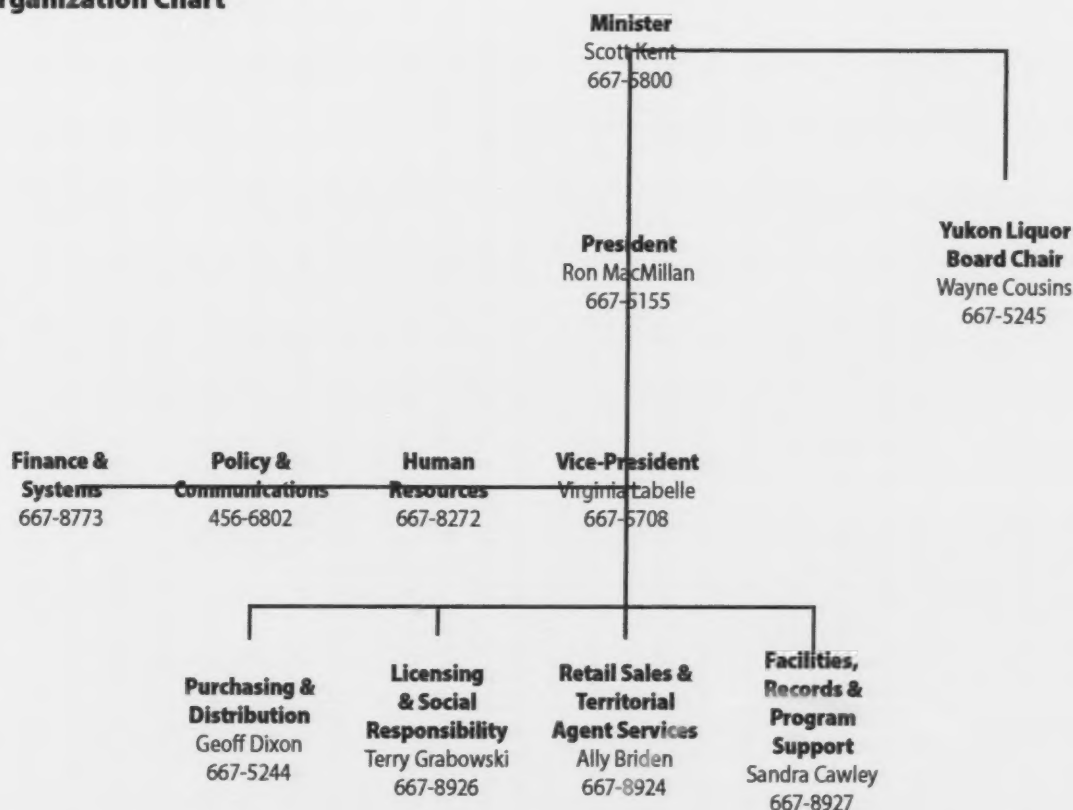
The Branch provides YLC with a variety of essential support services. The responsibilities and services of this unit include telecommunications, records management, contract administration, administrative and reception functions, and other support services to all branches of the Corporation. This branch also works with Licensing and Social Responsibility to provide Secretariat Services to the Yukon Liquor Board.



## Corporate Services

Services in the areas of Human Resources, Finance & Systems, and Policy & Communications are provided to Yukon Liquor Corporation by a Corporate Services unit in Yukon Housing Corporation, which reports directly to the President. These centralized branches provide specific corporate services and support for the Yukon Liquor Corporation, Yukon Housing Corporation, and Lotteries Yukon.

## Yukon Liquor Corporation Organization Chart



**Toll-free within Yukon: 1-800-661-0408**

# *Highlights*

Sales by Location (Hectolitres)					
Location	Spirits	Wine	Beer & Cider	2010/11	2009/10
Central Warehouse .....	1,087	664	15,767	17,518	17,156
Dawson City .....	324	351	4,287	4,962	4,572
Faro .....	110	28	715	853	865
Haines Junction .....	132	112	1,524	1,768	1,707
Mayo .....	96	113	798	1,007	968
Watson Lake .....	346	168	2,692	3,206	3,249
Whitehorse .....	2,205	3,068	14,966	20,238	19,868
<b>Total 2010/11</b> .....	<b>4,299</b>	<b>4,504</b>	<b>40,748</b>	<b>49,551</b>	
Total 2009/10 .....	4,181	4,285	39,919		48,385

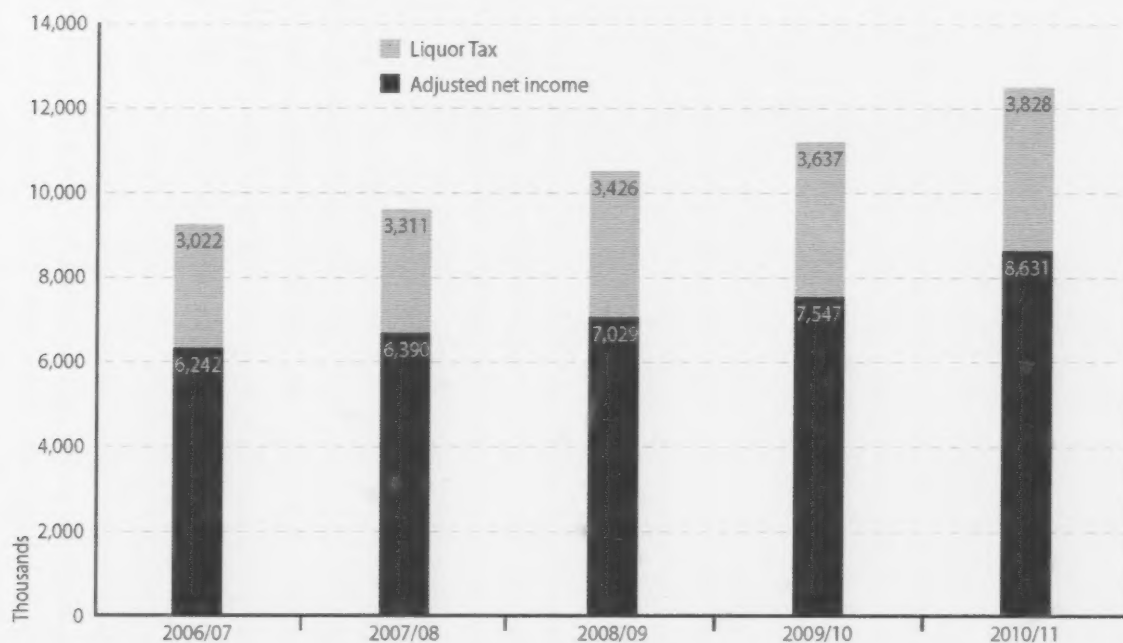
Sales by Location (\$000s)					
Location	Spirits	Wine	Beer & Cider	2010/11	2009/10
Central Warehouse .....	2,248	971	6,350	9,569	9,094
Dawson City .....	809	432	1,745	2,986	2,670
Faro .....	245	32	287	565	545
Haines Junction .....	267	137	617	1,022	973
Mayo .....	215	97	316	627	590
Watson Lake .....	713	169	1,075	1,957	1,950
Whitehorse .....	5,071	3,904	6,223	15,198	14,390
<b>Total 2010/11</b> .....	<b>9,569</b>	<b>5,742</b>	<b>16,614</b>	<b>31,924</b>	
	30.0%	18.0%	52.0%	100.0%	
Total 2009/10 .....	9,185	5,141	15,886		30,212
	30.4%	17.0%	52.6%		100.0%

## Highlights

Sales by Product Type		2010/11 \$'000s	Total \$'000s	% of category	Volume (HL)	% of category
Whiskey	Domestic	1,917				
	Imported	166	2,083	21.8%	760	17.7%
Scotch	Domestic	n/a				
	Imported	475	475	5.0%	94	2.2%
Rum	Domestic	1,096				
	Imported	163	1,260	13.2%	485	11.3%
Gin	Domestic	82				
	Imported	207	290	3.0%	98	2.3%
Brandy	Domestic	17				
	Imported	111	128	1.3%	37	0.9%
Liqueur	Domestic	405				
	Imported	1,154	1,558	16.3%	505	11.7%
Vodka	Domestic	2,437				
	Imported	346	2,783	29.1%	1,079	25.1%
Coolers & RTD	Domestic	551				
	Imported	119	670	7.0%	1,155	26.9%
Other	Domestic	216				
	Imported	107	323	3.4%	85	2.0%
<b>Total Spirits</b>		<b>9,569</b>	<b>9,569</b>	<b>100.0%</b>	<b>4,299</b>	<b>100.0%</b>
Wine	Domestic	2,263				
	Imported	3,290	5,553	99.3%	4,456	98.9%
Wine Coolers	Domestic	4				
	Imported	35	39	0.7%	48	1.1%
<b>Total Wine</b>		<b>5,592</b>	<b>5,592</b>	<b>100.0%</b>	<b>4,504</b>	<b>100.0%</b>
Beer	Domestic	14,805				
	Imported	1,106	15,911	95.9%	39,156	96.1%
Cider	Domestic	610				
	Imported	68	678	4.1%	1,592	3.9%
<b>Total Beer &amp; Cider</b>		<b>16,589</b>	<b>16,589</b>	<b>100.0%</b>	<b>40,748</b>	<b>100.0%</b>
<b>Subtotal</b>		<b>31,749</b>	<b>31,749</b>		<b>49,551</b>	
Other Sales Income Non-liquor		25				
Other Sales Income Opimian		150	175			
<b>Grand Total</b>			<b>31,924</b>			

*Note: In the accompanying financial statements for 2010/11, total wine sales includes Opimian sales, and total beer sales includes non-liquor sales.*

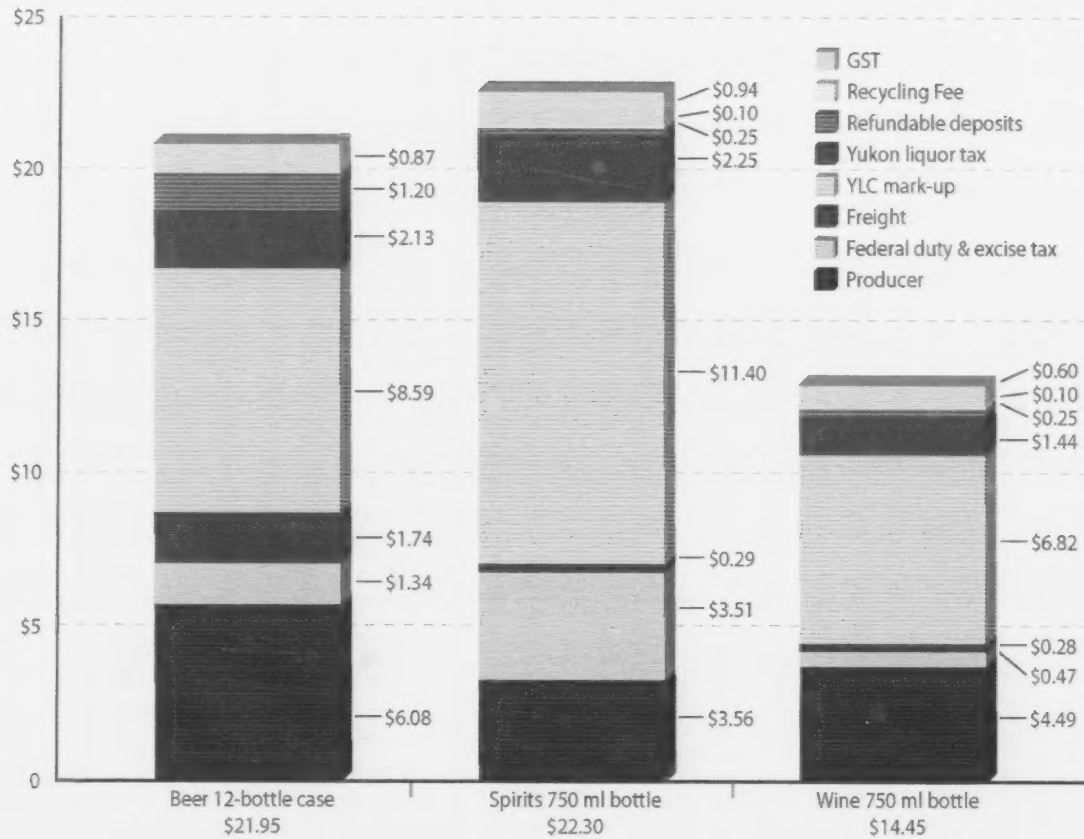
### Dividend — Annual Transfer to Government of Yukon



### Operating Expenses 2010/11



**Price Analysis**



## Highlights

### Liquor Licences

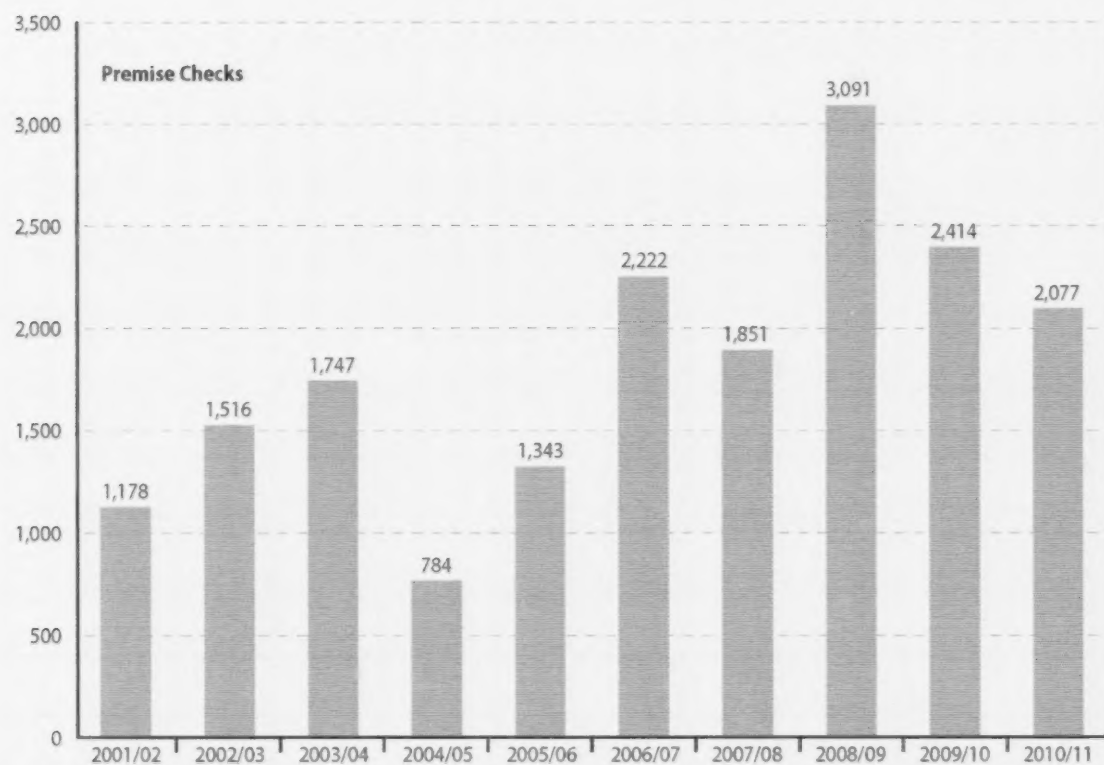
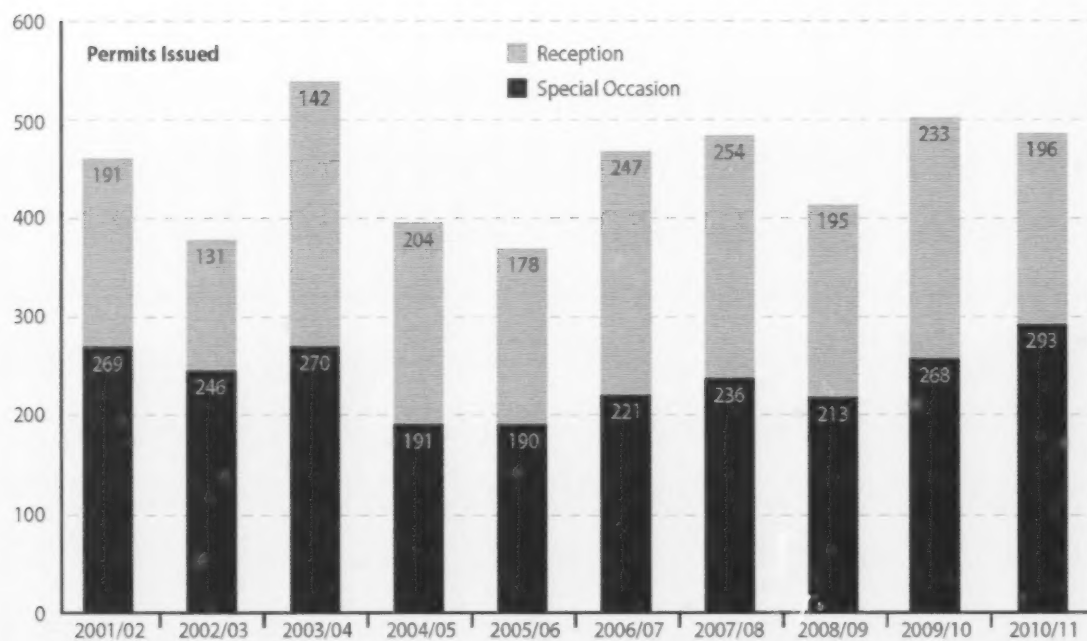
Type	2010/11	2009/10	2008/09	2007/08	2006/07
Liquor Primary — All Liquor	49	48	45	49	56
Food Primary — All Liquor	54	48	50	51	51
Food Primary — Beer/Wine	30	29	30	34	45
Off Premises — Liquor	52	48	48	51	60
Off Premises — Beer/Wine	23	23	22	23	25
Club	12	13	13	12	13
Special	35	37	34	34	37
Aircraft/Ship	3	4	2	3	3
Room Service	17	17	16	18	21
Liquor Primary — Mess	1	1	1	1	1
Sport Stadium	1	1	1	1	1
Recreation Facility	6	6	6	7	7
Liquor Manufacturer — Brewery	1	1	2	1	1
Liquor Manufacturer — Distillery	3	2	0	0	0
Liquor Manufacturer — Retail Brewery	1	1	1	1	1
Liquor Manufacturer — Retail Distillery	2	0	0	0	0
RV Park	1	1	0	0	0
<b>Total</b>	<b>291</b>	<b>280</b>	<b>271</b>	<b>286</b>	<b>322</b>

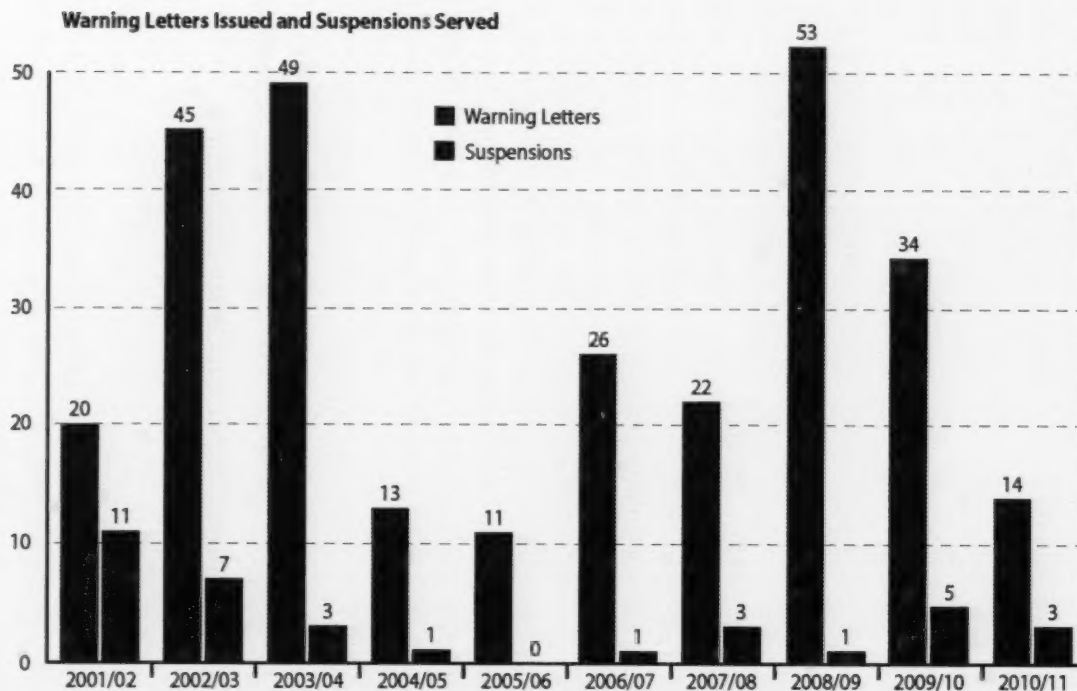
### Liquor Permits Issued 2010/11

Location	Reception	Special Occasion
Dawson City Store	37	47
Faro Store	3	6
Haines Junction Store	4	18
Mayo Store	2	10
Watson Lake Store	2	11
Whitehorse Office	148	201
<b>Total</b>	<b>196</b>	<b>293</b>



## *Highlights*





During the 2010/11 fiscal year, 14 letters of warning and three suspensions were issued, for a total of 28 infractions under the *Liquor Act* and *Liquor Regulations*. Each letter of warning or suspension may include several infractions.

Infractions 2010/11		
Activity	Warnings	Suspensions
Permitting intoxicated patrons to enter or remain on premises .....	9	1
Over-serving patrons .....	4	1
Permitting violent, riotous or disorderly conduct on premises .....	1	
Selling liquor to intoxicated persons or persons appearing to be intoxicated .....	1	
Exceeding the maximum seating capacity (overcrowding) .....	2	
Selling and serving liquor outside authorized hours .....	2	
Allowing patrons to consume liquor in unlicensed area of the premises .....	1	
Allowing liquor purchased for consumption to be taken off the premises .....	1	
Allowing patrons to be in licensed premises without proof of ID .....	1	
Selling liquor during an election .....	2	2



## MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of the Yukon Liquor Corporation is responsible for establishing and maintaining a system of books, records, internal controls and management practices designed to provide reasonable assurance that reliable financial information is produced; the assets of the Corporation are safeguarded and controlled; the transactions of the Corporation are in accordance with the relevant legislation, regulations and by-laws of the Corporation; the resources of the Corporation are managed efficiently and economically; and the operations of the Corporation are carried out effectively.

Management is also responsible for the integrity and objectivity of the financial statements of the Corporation. The financial statements as at March 31, 2011, which include amounts based on management's best estimates as determined through experience and judgment, are prepared in accordance with Canadian generally accepted accounting principles.

These financial statements have been independently audited by the Corporation's external auditor, the Auditor General of Canada, and the audit report is included in this report.

A handwritten signature in dark ink, appearing to read "Ron MacMillan", is written over a horizontal line.

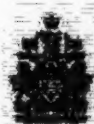
Ron MacMillan  
President

Date: July 12, 2011

A handwritten signature in dark ink, appearing to read "F. Mark Davey", is written over a horizontal line.

F. Mark Davey, CA  
Director, Finance, Systems and Administration

Date: July 12, 2011



Auditor General of Canada  
Vérificateur général du Canada

## INDEPENDENT AUDITOR'S REPORT

To the Minister responsible for the Yukon Liquor Corporation

### Report on the Financial Statements

I have audited the accompanying financial statements of the Yukon Liquor Corporation, which comprise the balance sheet as at 31 March 2011, and the statement of income, comprehensive income and equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

#### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditor's Responsibility*

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### *Opinion*

In my opinion, the financial statements present fairly in all material respects, the financial position of the Yukon Liquor Corporation as at 31 March 2011, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

### Report on Other Legal and Regulatory Requirements

As required by the *Liquor Act*, I report that, in my opinion, Canadian generally accepted accounting principles have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, proper books of account have been kept by the Yukon Liquor Corporation and the financial statements are in agreement therewith. In addition, the transactions of the Yukon Liquor Corporation that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with the *Financial Administration Act* of Yukon and regulations, the *Liquor Act* and regulations, the *Liquor Tax Act* and the by-laws of the Yukon Liquor Corporation.

Guy LeGras, CA  
Principal  
for the Interim Auditor General of Canada

12 July 2011  
Vancouver, Canada

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*Balance Sheet*

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YUKON LIQUOR CORPORATION  
BALANCE SHEET  
as at March 31ASSETS

	<u>2011</u>	<u>2010</u>
	(in thousands)	
Current		
Cash	\$ 2,260	\$ 3,241
Accounts receivable	109	124
Inventories	3,071	2,897
Prepaid expenses	24	80
	<u>5,464</u>	<u>6,342</u>
Property, plant and equipment (Note 5 and 7)	<u>994</u>	<u>1,326</u>
	<u>\$ 6,458</u>	<u>\$ 7,668</u>

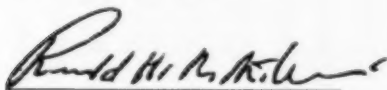
LIABILITIES & EQUITY

Current		
Accounts payable and accrued liabilities	\$ 2,397	\$ 3,307
Due to Government of the Yukon (Note 6)	2,055	1,943
Deferred revenue	80	78
	<u>4,532</u>	<u>5,328</u>
Non-pension benefit liability (Note 10)	<u>932</u>	<u>1,014</u>
	<u>5,464</u>	<u>6,342</u>
Equity (Note 7)	<u>994</u>	<u>1,326</u>
	<u>\$ 6,458</u>	<u>\$ 7,668</u>

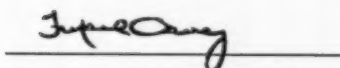
Commitments (Note 11)

The accompanying notes are an integral part of the financial statements.

Approved by Management:



President



Director, Finance, Systems &amp; Administration

# *Statement of Income, Comprehensive Income and Equity*

## YUKON LIQUOR CORPORATION STATEMENT OF INCOME, COMPREHENSIVE INCOME AND EQUITY for the year ended March 31

	2011	2010
	(in thousands)	
Sales		
Beer	\$ 16,614	\$ 15,885
Spirits	9,569	9,220
Wine	5,741	5,236
	<u>31,924</u>	<u>30,341</u>
Cost of goods sold	<u>16,117</u>	<u>15,463</u>
Gross profit	<u>15,807</u>	<u>14,878</u>
Expenses		
Salaries, wages and benefits	3,816	3,822
Rent, utilities and maintenance	1,625	1,545
Shared corporate services costs (Note 9d)	914	1,107
Amortization	358	368
Bank expenses	335	306
Travel and communications	249	237
Other	257	200
General and office supplies	102	147
	<u>7,656</u>	<u>7,732</u>
Operating income	<u>8,151</u>	<u>7,146</u>
Other income		
Fees, permits and licences	121	120
Miscellaneous	(4)	8
Services received from the Government of Yukon (Note 9c)	586	588
	<u>703</u>	<u>716</u>
Net income and comprehensive income from operations	\$ 8,854	\$ 7,862
Services provided to the Government of Yukon (Note 1 and 9c)	555	560
	<u>\$ 8,299</u>	<u>\$ 7,302</u>
Equity, beginning of year	1,326	1,571
Current year's income to be remitted to the Government of Yukon (Note 9a)	(8,631)	(7,547)
Equity, end of year (Note 7)	<u>\$ 994</u>	<u>\$ 1,326</u>

The accompanying notes are an integral part of the financial statements.



# *Statement of Cash Flows*

## YUKON LIQUOR CORPORATION STATEMENT OF CASH FLOWS for the year ended March 31

	2011	2010
	(in thousands)	
<b>Operating activities</b>		
Cash receipts:		
Sales - spirits, wine and beer	\$ 31,924	\$ 30,341
Annual licence fees and other	136	83
Cash disbursements:		
Purchases	(16,292)	(15,945)
Salaries, wages and benefits	(4,293)	(4,275)
General and administrative expenses	(3,952)	(1,616)
Prepaid expenses	56	(80)
Net cash provided by operating activities	<u>7,579</u>	<u>8,508</u>
<b>Investing activities</b>		
Cash receipts:		
Disposal of shelving	-	10
Cash disbursements:		
Acquisition of property, plant and equipment	(26)	(123)
Net cash used in investing activities	<u>(26)</u>	<u>(113)</u>
<b>Financing activities</b>		
Cash disbursements:		
Remittance of income to the Government of Yukon	(8,534)	(8,098)
Net cash used in financing activities	<u>(8,534)</u>	<u>(8,098)</u>
<b>Increase (decrease) in cash for the year</b>	<u>(981)</u>	<u>297</u>
<b>Cash, beginning of year</b>	<u>3,241</u>	<u>2,944</u>
<b>Cash, end of year</b>	<u>\$ 2,260</u>	<u>\$ 3,241</u>

The accompanying notes are an integral part of the financial statements.

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## *Notes to the Financial Statements*

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### YUKON LIQUOR CORPORATION **Notes to the Financial Statements** for the year ended March 31, 2011

#### **1. Authority and Operations**

The Corporation, established in 1977 under the *Liquor Act*, is responsible for the purchase, distribution and sale of liquor within the Yukon. It is responsible for controlling the sale of liquor through licensed outlets and enforcing all matters related to the Act.

The Corporation operates a central warehouse and distribution centre in Whitehorse and six liquor stores. The rural liquor stores also provide specific government services on behalf of the Government of Yukon.

In accordance with the *Liquor Act*, the net income for the year, before amortization, less amounts expended on property, plant and equipment, is remitted to the Government of Yukon on a monthly basis.

The Corporation is required by the *Liquor Tax Act* to collect liquor taxes on behalf of the Government of Yukon and to remit these taxes on a monthly basis. The current rate is 12% (2010-12%), and is applied to all selling prices.

In accordance with the provisions of the *Beverage Container Regulations* under the *Environment Act*, the Corporation collects various beverage container deposits and recycling surcharges on the sale of its products. These amounts are remitted to the Recycling Fund on a monthly basis after deducting deposit refunds paid and fees earned under the program.

As a territorial corporation of the Government of Yukon, the Corporation is exempt from income taxes under Section 149(1)(d) of the *Canadian Income Tax Act*.

#### **2. Adoption of International Financial Reporting Standards (IFRS)**

The Canadian Accounting Standards Board has announced that all publicly-accountable Canadian reporting entities will adopt IFRS as Canadian generally accepted accounting principles (GAAP) for fiscal years beginning on or after January 1, 2011. As a government business enterprise, the Corporation is required to adopt IFRS for its fiscal year beginning April 1, 2011. The Corporation has hired an external advisor to assist in the conversion process and has completed its initial diagnostic and financial statement component evaluations. The Corporation's financial statements will also require comparative financial information and an opening balance sheet as of April 1, 2010 prepared in accordance with IFRS.

#### **3. Accounting Policies**

These financial statements have been prepared in accordance with GAAP. The significant accounting policies are as follows:

##### **Inventories**

Inventories are comprised of alcoholic beverages for resale and are valued at the lower of landed cost at point of sale and net realizable value. Inventory costs are determined on a first-in, first-out basis. Cost is comprised of supplier-invoiced value and freight. Net realizable value represents the estimated selling price for inventories less the cost to sell.

##### **Revenue recognition**

Revenue is recognized when the sale of products is made to customers.

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## *Notes to the Financial Statements*

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### **YUKON LIQUOR CORPORATION** **Notes to the Financial Statements** for the year ended March 31, 2011

#### **Expense recognition**

Expenses are recognized as incurred, on an accrual basis, in the period to which they relate.

#### **Property, plant and equipment**

Property, plant and equipment owned by the Corporation are recorded at cost. Only assets that meet the minimum threshold limit are capitalized on the balance sheet. Amortization is calculated on a straight-line basis and is based on the estimated useful lives of the assets as follows.

<u>Classification</u>	<u>Estimated Useful Life</u>
Land	Indefinite
Buildings	20 years
Furniture and office equipment	5 years
Operating equipment	5 years
Heavy equipment	15 years
Systems development	5 years
Systems equipment	5 years
Leasehold improvements	remaining term of lease

#### **Employee future benefits**

##### **Non-pension benefits**

Under their conditions of employment, employees may qualify and earn employment benefits for vacation, sick, compensatory and personal leave, travel bonus, and severance benefits. The benefit obligation was determined on an actuarial basis. The costs of these benefits are accrued as employees render the services required to earn them. The obligations for vacation leave, sick leave, and severance benefits were calculated using the projected benefit method pro-rated on service. The remainder was calculated assuming all employees would receive the benefits on the valuation date. Net actuarial gains and losses are amortized on a straight-line basis over the expected average remaining service life of the active employees commencing with the period following the determination of the net actuarial gains and losses. Extended health care and insurance plan employee future benefit liabilities are paid by and accrued in the financial statements of the Government of Yukon.

##### **Pension benefits**

All eligible employees participate in the Public Service Pension Plan administered by the Government of Canada. The Corporation's contribution to the Plan reflects the full cost of the employer contributions. This amount is currently based on a multiple of the employee's required contributions, and may change from time to time depending on the experience of the Plan. These contributions represent the total pension obligations of the Corporation and are expensed during the year in which the services are rendered. The Corporation is not currently required to make contributions with respect to any actuarial deficiencies of the Public Service Pension Plan.

#### **Services received from or provided to the Government of Yukon**

The Corporation records in the Statement of Income, Comprehensive Income and Equity services it receives from or provides to the Government of Yukon in the normal course of operations, at their carrying amount. These services include the following:

- services, primarily accommodation, provided by the Government of Yukon; and
- services provided by the Corporation to the Government in its capacity as Territorial Agent in localities outside of Whitehorse.

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## *Notes to the Financial Statements*

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### **YUKON LIQUOR CORPORATION Notes to the Financial Statements for the year ended March 31, 2011**

#### **Use of estimates**

The preparation of the financial statements in accordance with Canadian generally accepted accounting principles requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting year. Estimates are used when accounting for matters such as amortization and the non-pension benefit liability. Actual results could differ materially from these estimates.

#### **Financial Instruments**

The Corporation's financial instruments consist of Cash, Accounts receivable, Accounts payable and Due to the Government of Yukon. Accounts payable and Due to the Government of Yukon are due on demand and are non-interest bearing. The carrying amounts of each approximate fair values because of their short term to maturity. These financial instruments are accounted for as follows:

##### **Loans and receivables**

The Corporation has classified the following financial asset as loans and receivables: Accounts receivable. This instrument is initially recognized at its fair value. Fair value is approximated by the instruments initial cost in a transaction between unrelated parties. Loans and receivables are subsequently measured at their amortized cost, using the effective interest method. Gains and losses arising from changes in fair value are recognized in net income when the loan or receivable is settled or upon impairment.

##### **Other financial liabilities**

The Corporation has classified the following financial liabilities as other financial liabilities: Accounts Payable and Due to the Government of Yukon. These instruments are initially recognized at their fair value. Fair value is approximated by the instrument's initial cost in a transaction between unrelated parties. Other financial liabilities are subsequently measured at their amortized cost, using the effective interest rate method.

#### **4. Financial Instruments**

##### **Risk Management**

The Corporation, through its financial assets and liabilities, is exposed to the following risks from its use of financial instruments: credit risk, and liquidity risk. The Corporation manages these risk exposures on an ongoing basis. The Corporation has no significant exposure to interest rate risk and foreign exchange risk. The Corporation is not party to any derivative financial instruments.

##### **Credit Risk**

Credit risk on financial instruments arises from the possibility that the issuer of a financial instrument fails to meet its obligation.

The carrying amount of Cash and Accounts receivable represents the maximum credit exposure.

The Corporation's Accounts receivable has a carrying value of \$109,000 as of March 31, 2011 (2010 - \$124,000). There is no concentration of accounts receivable with any one customer. As at March 31, 2011, approximately 17.2% (2010 - 0.1%) of Accounts receivable were over 90 days past due, whereas 82.8% (2010 - 99.9%) were current or less than 90 days past due. Historically, the Corporation has not incurred any significant losses with respect to bad debts. The Corporation's allowance for doubtful accounts is nil at March 31, 2011 (2010 - nil).

The risk on cash is minimized as these assets are held with a Canadian chartered bank.

## *Notes to the Financial Statements*

### YUKON LIQUOR CORPORATION Notes to the Financial Statements for the year ended March 31, 2011

#### Liquidity Risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they become due. The Corporation's objective is to have sufficient liquidity to meet these liabilities when due. The Corporation monitors its cash balances and cash flows generated from operations to meet its requirements by regularly checking bank balances and accounts payable reports.

The carrying amount of Accounts payable and accrued liabilities and Due to the Government of Yukon represents the maximum exposure to liquidity risk.

The Corporation does not have long-term financial liabilities. The Corporation's Accounts payable and accrued liabilities had a carrying value of \$2,397,000 as at March 31, 2011 (2010 - \$3,307,000). As at March 31, 2011, approximately \$139,000 or 5.8% (2010 - 4.9%) of Accounts payable were over 90 days past due, whereas 94.2% (2010 - 95.1%) were current, or less than 90 days past due. Due to the Government of Yukon had a carrying value of \$ 2,055,000 as of March 31, 2011 (2010 - \$1,943,000).

#### 5. Property, Plant and Equipment

Property, plant and equipment purchased by the Corporation are as follows:

	2011		2010	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
	(in thousands)			
Land	\$ 202	\$ -	\$ 202	\$ 202
Buildings	4,756	4,281	475	694
Furniture and office equipment	331	156	175	234
Operating equipment	202	173	29	43
Heavy equipment	174	85	89	73
Systems development	216	216	-	32
Systems equipment	223	199	24	48
Leasehold improvements	357	357	-	-
	<u>\$ 6,461</u>	<u>\$ 5,467</u>	<u>\$ 994</u>	<u>\$ 1,326</u>

The unamortized cost of property, plant and equipment acquired by the Government of Yukon up to March 31, 1990 and held by the Corporation is as follows:

	2011	2010
	(in thousands)	
Liquor store buildings	\$ 978	\$ 978
Store and warehouse	1,167	1,167
Equipment	375	375
Furniture and office Equipment	104	104
	<u>\$ 2,624</u>	<u>\$ 2,624</u>

## *Notes to the Financial Statements*

### YUKON LIQUOR CORPORATION Notes to the Financial Statements for the year ended March 31, 2011

#### 6. Due to the Government of Yukon

	2011	2010
	(in thousands)	
Reimbursements due for salaries to employees, and other costs paid on behalf of the Corporation	\$ 671	\$ 678
Income due to the Government of Yukon pursuant to the Liquor Act (Note 9a)	1,085	988
Liquor Tax Act (Note 9b)	296	275
Net remittances due to the Recycling Fund	3	2
Net due at the end of the year	<u>\$ 2,055</u>	<u>\$ 1,943</u>

#### 7. Equity

This amount represents the sum of the net book value of property, plant and equipment purchased by the Corporation after March 31, 1990, \$994,000 (2010 - \$1,326,000) which the Government of Yukon has provided to the Corporation. The annual change in equity represents additions and disposals of property, plant and equipment less amortization expense for the year.

#### 8. Capital management

The Corporation manages its capital in order to purchase a range of liquor products and make them available to consumers, and to regulate the sale and consumption of liquor products, while optimizing the net proceeds to government realized from the sale and control of liquor.

The Corporation defines capital as equity (see Note 7) which is represented by net assets. It is subject to the financial management and accountability provisions of the *Financial Administration Act of Yukon*, the *Corporate Governance Act*, and the *Liquor Act*, which specifies that net assets of the Corporation are the property of the Government of Yukon.

The Corporation manages its equity through its five year capital plan and as a by-product of managing revenues, expenses, assets, liabilities and general financial dealings to ensure that its objectives are achieved efficiently. The five year capital plan and revenue projections are approved annually by the Management Board of the Government of Yukon. The Corporation is required to provide regular variance reporting to the Government of Yukon to ensure that the Corporation effectively achieves its objectives whilst remaining a going concern.

The Corporation is not subject to external capital requirements. There has been no change to its capital management during the year.



## *Notes to the Financial Statements*

### YUKON LIQUOR CORPORATION Notes to the Financial Statements for the year ended March 31, 2011

#### 9. Related party transactions

##### a) Income due to the Government of Yukon pursuant to the *Liquor Act*

Calculation of adjusted net income due to the Government of Yukon for the year (Note 1):

	2011	2010
	(in thousands)	
Balance due at the beginning of the year	\$ 988	\$ 1,539
Net income and comprehensive income	8,299	7,302
Property, plant and equipment additions	(26)	(123)
Amortization	358	368
Current year's income to be remitted to the Government of Yukon	8,631	7,547
Less: remitted during the year	(8,534)	(8,098)
Balance due at the end of the year	<u>\$ 1,085</u>	<u>\$ 988</u>

##### b) Liquor tax

Liquor tax collected and due to the Government of Yukon for the year (Note 1):

	2011	2010
	(in thousands)	
Balance due at the beginning of the year	\$ 275	\$ 451
Liquor tax collected during the year	3,828	3,627
Less: remitted during the year	(3,807)	(3,813)
Balance due at the end of the year	<u>\$ 296</u>	<u>\$ 275</u>

##### c) Other transactions

The value of services received by the Corporation from the Government of Yukon is estimated to be \$585,702 (2010 - \$588,068). The value of services provided by the Corporation to the Government of Yukon is estimated to be \$555,345 (2010 - \$560,094). These transactions are included in the financial statements of the Corporation.

The employees of the Corporation are paid by the Government of Yukon. The Corporation reimburses the Government on a monthly basis for salaries and benefits expenses paid.

The Corporation recognizes services received from and provided to the Government of Yukon at their carrying amount. Recording the value of services provided without charge both by and to the Government recognizes and discloses the full cost of operations of the Corporation.

## *Notes to the Financial Statements*

### YUKON LIQUOR CORPORATION Notes to the Financial Statements for the year ended March 31, 2011

The individual financial statement items affected are as follows:

Services received from the Government of Yukon	2011	2010
	(in thousands)	
Salaries and benefits	\$ 3,242	\$ 3,179
Rent, utilities and maintenance	571,650	574,050
General and office supplies	10,810	10,839
	<u>\$ 585,702</u>	<u>\$ 588,068</u>
Services provided to the Government of Yukon	2011	2010
	(in thousands)	
Salaries and benefits	\$ 479,454	\$ 471,660
Rent, utilities and maintenance	71,267	83,888
Travel and communications	4,624	4,546
	<u>\$ 555,345</u>	<u>\$ 560,094</u>

d) **Shared services costs**

The Corporation is part of a shared services arrangement with Yukon Housing Corporation which consolidated functions such as finance, systems and administration, policy and communications and human resources services. The amount charged by the Yukon Housing Corporation to the Corporation for shared services for the year was \$914,000 (2010 - \$1,107,000).

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. The amounts payable by the Corporation at year-end totalling \$914,000 (2010 - \$991,000) are included in Accounts payable and accrued liabilities.

10. **Employee future benefits**

**Pension Plan**

The Corporation and all eligible employees contribute to the Public Service Pension Plan administered by the Government of Canada. This pension plan provides benefits based on years of service and average earnings at retirement. The benefits are fully indexed to the increase in the Consumer Price Index. Contributions during the year were as follows:

	2011	2010
	(in thousands)	
Corporation's contributions	\$ 342	\$ 318
Employees' contributions	205	178

**Non-pension benefits**

The Corporation provides non-pension benefits to its employees based on years of service and final salary. This benefit plan is not pre-funded and thus has no assets, resulting in a plan deficit equal to the accrued benefit obligation.

## *Notes to the Financial Statements*

### YUKON LIQUOR CORPORATION Notes to the Financial Statements for the year ended March 31, 2011

The results measured at March 31 are summarized as follows:

	2011	(in thousands)	2010
Accrued benefit obligation, beginning of year	\$ 1,146		\$ 1,006
Current service cost	74		73
Interest cost on accrued benefit obligation	61		62
Amortization of net actuarial gains	(209)		(1)
Prior unrecognized net actuarial gain	-		6
Accrued benefit obligation, end of year	<u>\$ 1,072</u>		<u>\$ 1,146</u>
Short-term portion (vacation)	\$ 140		\$ 132
Long-term portion	932		1,014
	<u>\$ 1,072</u>		<u>\$ 1,146</u>
The significant actuarial assumptions were:			
Discount rate	5.00%		5.75%
Salary escalation rate	2.25% per annum		1.20% Jun. 1, 2009 2.50% per annum thereafter

The most recent actuarial valuation made for this non-pension benefit plan was prepared as of April 1, 2010. The next required valuation would be as of April 1, 2013.

#### 11. Commitments

The Corporation has the following operating leases with commitments for annual rents of leased premises due as follows:

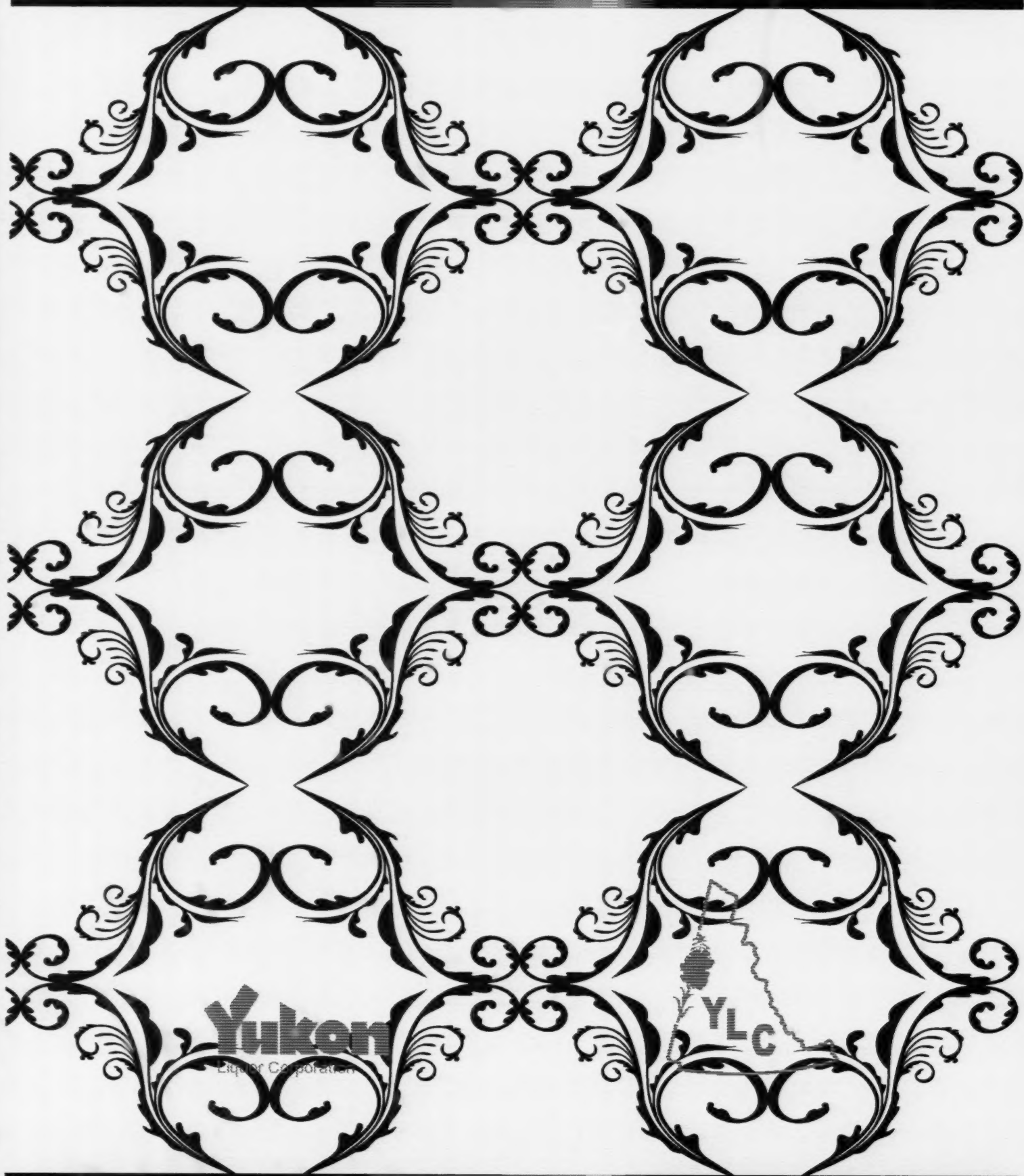
Fiscal	Whitehorse Store	Other Retail Stores	Total
2012	\$ 243,220	\$ 117,533	\$ 360,753
2013	243,553	65,952	309,505
2014	251,329	65,952	317,281
2015	252,036		252,036
2016	252,036		252,036
Total	<u>\$ 1,242,174</u>	<u>\$ 249,437</u>	<u>\$ 1,491,611</u>

The Corporation's buildings are self insured with the Government of Yukon.

In the normal course of operations, the Corporation enters into multi-year agreements for the provision of freight and other services. The total commitments as at March 31, 2011 for future years ending on March 31, 2012 is \$1,890,859.

#### 11. Comparative Figures

Certain comparative figures have been reclassified to confirm to the current year's presentation.



**Yukon**  
Liquor Corporation

YLC